

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS NEW DELHI 002410

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [ETRD](#) [ECIN](#) [PREL](#) [IN](#) [PK](#) [NP](#) [BG](#) [SAARC](#)

SUBJECT: SAARC: NO SUMMIT IN SIGHT, SAFTA ON TRACK

REF: A. NEW DELHI 1426

[B](#). NEW DELHI 1298

[1](#)1. (SBU) Summary: Prospects for a rescheduled SAARC Summit in 2005 are diminishing amidst scheduling difficulties and Indian concerns over the coup in Nepal and instability in Bangladesh. In a March 30 meeting with USAIDoff and Poloff, MEA Joint Secretary (SAARC) V. Ashok expressed optimism, however, that SAFTA would still be implemented on schedule in January 2006. Ashok was confident that Islamabad would, as a result of SAFTA, grant India preferential trade status. He indicated that if members were not willing to make SAARC successful, India would leave it behind in favor of other regional groupings. End Summary.

Summit Still Stymied

[1](#)2. (SBU) Local media reported on March 31 that a SAARC Summit in 2005 was unlikely, clarifying earlier suggestions that India had agreed to an April Summit. Joint Secretary Ashok's March 30 remark on the Summit ("whenever that is") supported this suggestion. Ashok's cynicism contrasted with the GOI's public statements. An MEA official stated in Parliament on March 17 that SAARC relations had not suffered a setback as a result of the Summit's cancellation.

[1](#)3. (SBU) Commenting on the prolonged postponement, the "Hindustan Times" Diplomatic Correspondent Nilova Roy Chaudhury told Poloff that India is saying "yes in principle to the Summit, but finding fault with the scheduling as a way to say no." While scheduling is indeed difficult due to Parliament sessions, travel schedules, and the impending monsoon, New Delhi is not prepared to attend a Summit soon because GOI political and security concerns with Nepal and Bangladesh remain, she observed.

SAFTA Moving "With or Without the Summit"

[1](#)4. (SBU) Ashok reported that the South Asia Free Trade Area (SAFTA) was progressing well. He was "very hopeful" that the agreement would be finalized by July 2005 and implemented in January 2006, as scheduled. Noting that the once-postponed seventh meeting in the Maldives was held last week, and that the next session was planned for Kathmandu in April, Ashok explained that the discussion in Male focused on a compensation mechanism for customs revenue loss and a formula to determine whether an increase in trade volume will offset lost revenue.

[1](#)5. (SBU) On India receiving MFN status from Pakistan, Ashok was again upbeat, citing as an example Pakistani PM Shaukat Aziz's remark in India in November 2004 that when SAFTA is in place, "it will be MFN-plus." Ashok saw "realism seeping into SAARC" as members see the success of other regional organizations, and sense that they have "missed the bus." Nonetheless, he reiterated the Foreign Secretary's point (Ref A) that if SAARC is not willing to join India at its pace, New Delhi will work more closely with other groups, such as the Bay of Bengal Initiative (BIMSTEC).

Comment

[1](#)6. (SBU) New Delhi seems increasingly willing to let the 2005 SAARC Summit fizzle, although it remains interested in SAFTA and the improved trade status with Pakistan it may include. The GOI can only use the excuse of scheduling conflicts as a reason for postponement for so long, and will eventually have to clarify how much of a priority SAARC really is for its foreign policy.

MULFORD